

Message Text

CONFIDENTIAL

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FM AMEMBASSY CARACAS

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C O N F I D E N T I A L CARACAS 3834

EXDIS

E. O. 11652 GDS

TAGS: OVIP ENRG VE

SUBJECT: SECVISIT LA: US- VENEZUELAN RELATIONS ON PETROLEUM

1. SECRETARY EITHER ON HIS ARRIVAL OR IF HE GIVES PRESS
CONFERENCE WILL INEVITABLY BE QUESTIONED ON PETROLEUM.
WE HAVE FOUR RECOMMENDATIONS TO OFFER:

(A) THAT SECRETARY BE AUTHORIZED BY THE OIL POLICY COMMITTEE
TO STATE THAT U. S. WILL CONTINUE TO GRANT WESTERN HEMISPHERE
PREFERENCE UP TO 50,000 B/ D OF NO. 2 FUEL OIL PROVIDED
CONDITIONS OF QUALITY, PRICE, AND AVAILABILITY CAN BE MET.

(B) ON MUCH- TOUTED QUESTION OF DEVELOPMENT OF THE ORINOCO HEAVY
OIL ZONE, WHICH IS RAPIDLY BEING FANNED INTO A NATIONALISTIC
ISSUE WITH U. S. BEING PORTRAYED AS HAVING SINISTER DESIGNS ON
EXPLOITING THIS AREA TO VENEZUELA' S DISADVATAGE, SECRETARY
COULD REPLY THAT THE UNITED STATES CAN OFFER A READY MARKET FOR
ALL OF THE OIL THAT VENEZUELA MIGHT WISH TO PRODUCE FROM THE AREA.
HOW THE POTENTIAL RESOURCES OF THE ORINOCO BELT, OR OTHER NEW
ARES IN VENEZUELA, SHOULD BE DEVELOPED, WHEN OR WHETHER THEY
SHOULD BE DEVELOPED, AND WHO SHOULD OR SHOULD NOT PARTICIPATE
IN ANY SUCH DEVELOPMENTS ARE QUESTIONS TO BE DECIDED BY
VENEZUELA. WE UNDERSTAND, OF COURSE, THAT THERE WILL BE
FORMIDABLE PROBLEMS BOTH AS TO TECHNOLOGY AND CAPITAL INVESTMENT.

(C) IF ASKED WHETHER OR NOT GOVERNMENT- TO- GOVERNMENT
NEGOTIATIONS
ARE TAKING PLACE ON THE DEVELOPMENT OF THE ORINOCO BELT,
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SECRETARY MIGHT REPLY ALONG LINES OF HIS REPORT ON VENEZUELA IN "UNITED STATES FOREIGN POLICY 1972", INDICATING THAT INDEED DISCUSS VIET UNION, AS SOURCES IN VIENNA AND NATO IN BRUSSELS CONFIRMED WEST DROPPED ITS ATTEMPT TO MAKE HUNGARY FULL PARTICIPANT RATHER THAN OBSERVER. GOSHKO REPORTS

SOURCES SAID THIS OPENS WAY FOR A PLENARY SESSION IN VIENNA SOME TIME THIS WEEK WHICH SHOULD BE ANNOUNCED IN COUPLE DAYS, BUT WESTERN SOURCES WERE DIVIDED ON HOW MUCH IMPACT CONCESSION WILL HAVE ON EVENTUAL COURSE OF REDUCTION TALKS AND DEGREE TO WHICH IT MIGHT HARM WEST'S NEGOTIATING POSITION, AS SOURCES SAY NATO GAVE IN LARGELY AS RESULT OF AMERICAN PRESSURE AND SOME NATO PARTNERS EXPRESS PRIVATE RESERVATIONS ABOUT US WILLINGNESS TO MAKE TOO MANY CONCESSIONS. GOSHKO ADDED SOME NATO SOURCES DEFENDED THE IMPASSE-BREAKING FORMULA AS ONE THAT STILL LEAVES OPEN HUNGARY'S EVENTUAL STATUS IN MUTUAL AND BALANCED FORCE REDUCTION, CONTENDING THAT HUNGARY'S OBSERVER ROLE APPLIES ONLY TO CURRENT PREPARATORY PHASE OF TALKS, AND WEST IS EXPECTED TO ISSUE A UNILATERAL DECLARATION, SAID GOSHKO, STATING ITS UNDERSTANDING THAT STATUS OF ANY PARTICIPANT CAN BE REAPPRAISED IN ACTUAL TALKS, BUT THERE IS NO CLEAR INDICATION HOW EFFECTIVE SUCH STATEMENT WOULD BE AS SAFEGUARD. GOSHKO REPORTED SPECULATION AS TO CIRCUMSTANCES UNDER WHICH SOVIET UNION MIGHT CHANGE ITS POSITION, INCLUDING A NIXON-BREZHNEV SUMMIT DECISION.

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2 A. WASHPOST HEADS NOSSITER LONDON, SOVIETS HINT DEAL ON TROOPS, TRADE, NOSSITER REPORTING IT WAS LEARNED THAT SOVIET UNION IS INFORMALLY SUGGESTING A NEW FORMULA TO CUT BACK AMERICAN AND SOVIET TROOPS IN CENTRAL EUROPE WHICH CALLS FOR A TEN PERCENT SLICE IN THE 190,000 US GROUND FORCES IN RETURN FOR A TEN PERCENT CUT IN THE 650,000 SOVIET TROOPS AND RUSSIANS ARE ADDITIONALLY SEEKING A NON-MILITARY SWEETENER TO COMPENSATE FOR THE UNEQUAL REDUCTION IN TROOP NUMBERS, WHICH COULD BE ASSURANCE OF MFN TREATMENT. NOSSITER SAYS FORMULA CANNOT BE DESCRIBED AS SOVIET PROPOSAL YET BUT IT HAS BEEN MENTIONED BY SOVIET REPRESENTATIVES WHO HAVE BEEN KNOWN TO FORESHADOW SERIOUS PROPOSALS IN PAST AND THESE REPRESENTATIVES ARE PREDICTING BREZHNEV WILL SUGGEST SOMETHING LIKE THIS AT THIS SUMMER'S SUMMIT. ACCORDI

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